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UNITED NATIONS DEVELOPMENT PROGRAMME

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ENGLISH

APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF BRAZIL

IPF:(1987-91) $17 500 000

(BRA/89/002) - Support for the International Area of the Finance Ministry

Date of approval:	23 February 1990
Expected duration:	Four years
Proposed executing agency:	Government
Government implementing agency:	Ministry of the Economy, Planning and Finance
Proposed UNDP contribution:	$349 000 Source of funds: IPF
Government cost sharing:	$338 800
Total UNDP budget:	$687 800

Project background

Brazil's foreign debt, currently about $115 billion, remains the largest in the developing world. Although it represents a smaller percentage of GDP than that of many countries, Brazil's external debt is perhaps the single major obstacle to renewed national growth and development. Built on the growing consensus at home and abroad that the debt crisis needs a long-term resolution, new schemes are being sought and tried. In this regard, the Brazilian Government and other leading nations in Latin America are seeking solutions to reduce the total stock of the debt.

Foreign debt negotiations, as well as international financial and commercial policy in general, are highly complex issues. They require systematic economic and financial analysis for policy planning, a capability which is severely limited in the Brazilian Government. Designing new strategies to cope with the debt problem requires studies on a series of topics, including: past debt rescheduling agreements, interrelationships between internal and external adjustment processes involved in debt negotiations, new mechanisms for reducing both the stock of the debt and debt service, the role of the World Bank and the IMF in the resolution of the overall debt problem; and the impact of trade policies on the balance of payments and the generation of surpluses.

Brazil's position as a major creditor country in the developing world, and the resulting trade imbalance which in turn hinders regional economic integration is another issue to be studied. To this end the Government requested UNDP assistance under the present approval.

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Description of project

The long-term objective of the project is to create a permanent capability for economic and financial analysis, policy planning, decision making and external negotiations, within the international areas of competence of the Ministry of the Economy, Planning and Finance, with special emphasis on foreign debt questions, in order to help overcome debt-related obstacles to growth and development, as well as to regional integration.

The immediate objectives of the project are to: (a) improve the technical capability of the Department of International Affairs (DEAIN) of the Finance Ministry through the installation of a modern information processing system and the training of personnel to operate it; (b) form an advisory group composed of highly-quaified experts, trained and able to produce needs assessment and evaluation studies, policy papers and other information needed for policy implementation and negotiation in the areas of trade and debt; and (c) contribute to the elaboration of the Pluriannual Investment Plan, which is the central element in the definition of Brazilian investment priorities.

Inputs

UNDP will provide international consultants (24 man-months) with capacity and authority in the financial and macro-economic aspects related to external debt negotiation; study tours; and non-expendable equipment consisting of electronic data processing equipment.

The Government will provide long-term national professionals (60 man-months) and short-term national consultants (20.5 man-months); group training; administrative support staff, office space and supplies; and miscellaneous costs.

Financial data

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Personnel	449 800
Subcontract	120 000
Training	70 000
Equipment	48 000
Total	687 800

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